



Agenda Date: 8/01/01

Agenda Item: 4C

STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

PETITION OF NET2000 COMMUNICATIONS)
SERVICES, INC. FOR APPROVAL TO PROVIDE)
GUARANTEES IN CONNECTION WITH AN)
AMENDED AND RESTATED CREDIT FACILITY)
ARRANGED BY ITS PARENT, NET2000)
COMMUNICATIONS GROUP, INC.)

TELECOMMUNICATIONS

ORDER OF APPROVAL

DOCKET NO.: TF01040236

Kelley, Drye & Warren LLP, by Enrico Soriano and John A. Wenzel, Esq., for Net2000 Communications Services, Inc.

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Leo M. Lim, Supervising Accountant and Julie Huff, Accountant I, Office of the Economist on behalf of the Staff of the Board of Public Utilities

BY THE BOARD:

On April 10, 2001, Net2000 Communications Services, Inc. (NCSI or Petitioner), pursuant to N.J.S.A. 48:3-7, filed a petition with the New Jersey Board of Public Utilities (Board) seeking its approval for Petitioner to provide guarantees in connection with an amended and restated Credit Facility arranged by its parent, Net2000 Communications Group, Inc. (NCGI).

Petitioner is a wholly owned subsidiary of NCGI. NCGI functions as a holding company and is the "Borrower" in the Credit Facility which is the subject of this petition. The ultimate parent of NCSI and NCGI is Net2000 Communications, Inc. (NCI). NCI is a publicly held Delaware corporation headquartered at 2180 Fox Mill Road, Herndon, VA 20171. NCI, through its various direct and indirect subsidiaries, is a rapidly-growing, innovative provider of state-of-the-art broadband telecommunications services. NCI offers businesses located throughout the Mid-Atlantic and Northeastern regions of the United States cutting-edge, responsive solutions as an alternative to traditional telephone companies.

On November 1, 2000, in Docket No. TF00060395, Petitioner was authorized by the Board to enter into a credit agreement with Toronto Dominion (Texas), Inc. and other lenders with a maximum commitment of \$300 million. NCGI and NCSI want to increase the amount which may be borrowed, under a modification of the current or a new Credit Facility that will mature by September 30, 2007, to a maximum of \$500 million. The funds made available under the Credit Facility may be used for general corporate purposes, including working capital and capital expenditures. Loans may be provided in dollars or eurodollars. In either case, the interest will be based on market rates, such as a designated prime rate plus an applicable margin, which will

vary depending upon the financial performance of the Borrower and its affiliates. The interest margin is expected to vary between 2% and 4.25%. Security for the loans made pursuant to the Credit Facility is expected to consist of guarantees by Petitioner, its parent, affiliates and subsidiaries, a pledge of their stock and a security interest in their assets.

Petitioner is a non-dominant carrier and is not subject to rate of return regulation. The rates it charges customers are subject to market discipline and the services it offers are duplicated by other carriers. According to Petitioner, the public interest is best served by assuring the presence of numerous telecommunications competitors in New Jersey and by providing competitors with the flexibility to arrange their financing in the manner they deem most appropriate to carry on their business so long as there is no adverse impact on the public.

In a letter dated July 27, 2001, the Division of the Ratepayer Advocate states it, "...does not object to approval of the petition...".

After review, the Board HEREBY FINDS that the transaction is in accordance with the law, is in the public interest and approving the purposes thereof, HEREBY AUTHORIZES Petitioner to provide guarantees in connection with the Credit Facility as described herein.

This Order is issued subject to the following conditions:

1. An event of default under the Credit Facility or any related agreement shall not result in any automatic transfer of ownership of any of Petitioner's certificates issued by the Board;
2. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions approved hereunder or other supporting documents, a default or assignment under such agreement does not constitute automatic transfer of Petitioner's assets or shares of capital stock. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq., where applicable;
3. The Board's approval herein shall not be interpreted as limiting the Board's authority over the Petitioner to the extent that any action contemplated in the Credit Facility would further require Board review and approval under applicable law.
4. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceedings with respect to rates, franchises, services, financing (including the method of sale of securities), accounting, capitalization, depreciation or in any other matter affecting the Petitioner.

5. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets of commensurate value or investment costs.
6. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by December 31, 2001.

DATED: August 1, 2001

BOARD OF PUBLIC UTILITIES
BY:

[SIGNED]

CONNIE O. HUGHES
ACTING PRESIDENT

[SIGNED]

FREDERICK F. BUTLER
COMMISSIONER

[SIGNED]

CAROL J. MURPHY
COMMISSIONER

ATTEST:

[SIGNED]

FRANCES L. SMITH
BOARD SECRETARY